

**AGENCY RESPONSES TO  
DLS ISSUES AND RECOMMENDATIONS  
FY2005 GOVERNOR'S ALLOWANCE  
EXECUTIVE DEPARTMENT  
BOARDS, OFFICES AND COMMISSIONS**

**Issues**

**1. Fiscal Year 2003 Close-Out Audit**

Response: The grant-administering agencies of the Executive Department have made major improvements in their administration of Federal funds over the past several years. The discrepancies cited regarding Federal revenues are not the result of our agencies failing to request timely and accurate Federal reimbursements, but are principally the result of the failure of a complicated system involving a number of agencies to accurately credit those funds that have been properly earned and requested. Since the time of the close-out audit, the Governor's Office of Crime Control and Prevention (GOCCP) has completed processing the transactions to transfer virtually all of the cited \$2.1 million to the proper Federal fund accounts; these are funds that were requested and in many cases received at the time of the audit, but were not credited to the proper accounts, resulting in the apparent deficiency. It is significant to note, however, that while GOCCP has successfully identified and transferred to the proper accounts all of the Federal funds cited in the audit, it is still in the possession of more than \$2 million in Federal funds that belong to other State agencies and have been mis-credited to its accounts; GOCCP is simply unable to do anything with these funds until the rightful agency owner steps forward and requests their transfer. On the other hand, while the Governor's Office on Service and Volunteerism (GOSV) does not have the cited \$1.7 million in Federal revenues in hand, we have had a request pending for a number of months regarding a \$1.8 million draw that was requested but never received in FY2002; we believe that the resolution of that issue will resolve the current problem.

We are preparing the necessary documentation to provide to the State Treasurer's Office concerning the failure of the grants drawdown system to adequately track and identify payments received with the corresponding Federal fund accounts. We believe that the successful resolution of this problem will require the close cooperation of all agencies involved, both at the State level and within the Federal government.

**Recommended Actions**

- 1. Add language that certain additional FTE contractual positions may be created only if specifically authorized in an approved budget amendment.**

Response: We do not oppose this recommendation.

- 2. Abolish five Federally-funded positions in the Governor's Office of Service and Volunteerism (\$277,460 FF).**

Response: We respectfully oppose this recommendation. GOSV staffing has already been reduced by five PINs since FY2002 (from 17 to 12), in recognition of diminished Federal funding for its programs and due to increased staffing efficiencies within the agency. The loss of an additional five PINs in FY2005 would severely jeopardize the agency's ability to properly manage even the reduced level of Federal funding included in the Governor's Allowance; moreover, recent events have resulted in significant increases in projected Federal funding for FY2005.

When the Governor's FY2005 Allowance was determined, the estimated level of Federal funding for the AmeriCorps program was based upon the reduced FY2004 Federal appropriation level. The then-prevailing climate in Washington, DC required that GOSV's Federal revenue estimates be conservative, in light of the fact that the overall Federal AmeriCorps appropriation was expected to decline even further in FY2005.

However, with President Bush's signature on the Federal FY2004 omnibus appropriations bill on January 23, 2004, AmeriCorps received an historic funding increase, to \$442 million; this increase will allow the program to grow by up to 50%. With Maryland remaining competitive in the grant process, the receipt of \$8 million in total AmeriCorps funding is now expected - this new estimate will be included in an up-coming supplemental FY2005 budget to be transmitted by the Governor. The GOSV will not request any additional staffing to handle the administration of this greatly-increased funding level, but it is essential that the level of staffing included in the Governor's Allowance be maintained.

AmeriCorps members serve hundreds of local nonprofit and faith-based organizations. They tutor and mentor children, make neighborhoods safer, respond to natural disasters, build affordable homes and recruit community volunteers. The additional projected FY2005 funding will allow GOSV to fund an estimated 1,150 AmeriCorps members and 11,500 volunteers

### **3. Abolish the Health Claims Arbitration Office (\$589,711 GF and \$85,797 SF).**

Response: We respectfully oppose this recommendation. While the Mandel Commission Report does include a similar recommendation regarding HCAO, this recommendation is among the many that are currently under review and consideration by the Governor. In light of current legislative considerations concerning medical malpractice reform and the need for a thoughtful transition plan for several of HCAO's important functions, should the Commission's recommendation ultimately be approved for implementation by the Governor, we believe that taking this precipitous action at this time would be unwise.

### **4. Abolish a vacant position in the Health Claims Arbitration Office (\$44,980 GF).**

Response: While we do not strongly oppose this recommendation, we would like to point out that HCAO staffing has already been reduced by three FT PINs since FY2002. Furthermore, this recommendation would be duplicative if Recommendation #3 were approved.

### **5. Reduce out-of-state travel funds for the Commission on Uniform State Laws (\$4,484 GF).**

Response: We respectfully oppose this recommendation. The volunteer commissioners who serve on the State Commission on Uniform State Laws attend the annual conference of the National Conference of Uniform State Law Commissioners in order to participate in the development of the model codes that are central to this organization's purpose; \$8,845 in General Funds is budgeted for this purpose. FY2005 represents the first year that five commissioners would be representing the State, as the two commissioners who have retired and now serve as Life Members of the National Conference and, under State law, as ex-officio members of the State Commission, would join the three regular State Commission members.

**6. Abolish the Governor's Grants Office (\$389,420 GF).**

Response: We respectfully, but strongly, oppose this recommendation. The justification given for this recommendation, that the functions of the Office would be duplicative of those of other State agencies, does not reflect a full understanding of the Office's intended mission and function. The primary purposes of the Office, 1) to assist State agencies in the identification of and application for Federal and private sector grant opportunities and 2) to perform macro-level reviews of the State's success in acquiring Federal funds, will complement, not duplicate, the functions of other State agencies. A more complete outline of the Office's functions is contained in Attachment A to this document.

**7. Adopt committee narrative regarding the submission of the Executive Department Quarterly Federal Fund Expenditure Report.**

Response: We do not oppose this recommendation.

### **The Governor's Grants Office**

- The Governor's Grants Office is currently operational with a director and two staff. Two other positions will be filled shortly. The Grants Office coordinates federal grant activity for the state, working through key contacts in each state agency.
- Federal funds represent the single largest source of revenue in state government (24% of total revenues, compared to 23% for individual income tax revenue), so it follows that during these difficult fiscal times the Governor should do everything in his power to maximize federal revenues, while also making sure that state agencies act in a coordinated way to also support the policy priorities of the state.
- The role of the Grants Office is multifaceted. The primary function is one of coordination and tracking; measuring and evaluating current federal funding flows, while ensuring that agencies aggressively pursue new opportunities. In some cases these will involve competitive grants. In other cases this will involve lobbying Congress for adjustments in federal grant formulae when individual programs are being considered for reauthorization.
- The Grants Office is modeled after similar organizations in Texas (\$40 million in new grants directly attributable to this office) and Illinois (18% increase in overall grants during a two-year time period). The Grants Office will provide technical assistance to state agencies so they can better identify and compete for new grants that support the state's policy goals.
- The Grants Office will produce the first-ever document in Maryland that includes information on all federal funds currently coming into state agencies. This will serve as the benchmark for all future federal grant activity.
- The Grants Office will identify individual federal grants where the state does proportionately worse than other states in an effort to improve future performance, as well as identifying federal grant programs where the state does disproportionately better than other states to protect against attempts to reduce future funding coming to Maryland.
- The Grants Office will create a website to assist members of the General Assembly and members of Congress in helping their constituents access information and training on available federal grants.
- While the contract between DBM and Maximus, Inc., does not involve the identification and pursuit of new grants, the Grants Office will work with DBM and Maximus to make sure that Maryland is drawing down the largest amount of federal funding possible in existing, large, human services formula grants.
- The Grants Office will also provide assistance in the area of federal procurement, which produces both high paying jobs and increases in personal income tax revenue. This work will be coordinated with other economic development activity already taking place at the Department of Business and Economic Development.

- The Grants Office will coordinate with current work being performed in the Department of Planning's Clearinghouse. Currently, the Clearinghouse performs a planning function in sharing information among different parties once grant applications have been submitted; they do not, however, aggressively seek to help state agencies increase the number of federal grants that are applied for and received, which will be a primary role of the Grants Office.
- The Clearinghouse also provides a single source of information on available state grants, but they do not perform this same function for federal grant opportunities, a gap that will be filled by the Grants Office. The skills in the Clearinghouse may also be used to help generate timely notification of new grant opportunities, while also coordinating workshops in grant-writer training with the Grants Office.
- The Grants Office will scan activity among the largest private foundations in Maryland, looking for opportunities to use shared priorities as a way of leveraging larger amount of federal grant funds.
- The Grants Office will coordinate with colleges and universities, to ensure that the state is maximizing (and protecting) federal research money coming into state institutions. The Grants Office will also use the grant-writing skills of our colleges and universities to make sure that state agency staff tasked with writing grants possess the highest possible level of training in this difficult area.
- The Grants Office will identify the key federal agency staff best able to provide direct grants assistance to state agencies. These contacts will range from civil service staff tasked with the routine business of preparing grant announcements and evaluating proposals, to political appointees who are able to provide valuable insight on new initiatives before they are officially proposed. Congressional staff will be a part of this effort, as the Grants Office will look for priority issues for an individual member of Congress that overlap with priorities of the state.
- Due to its geographic advantage, Maryland currently does well in terms of per capita return on most sources of federal funding, including grants. There is no state with a higher average income that does better on per capita return on federal grant money than Maryland. Other states, and other Governors, are actively working to cut into this advantage through similar coordinating strategies.
- The Illinois grants office targeted specific programs based on an analysis of which states were currently receiving disproportionate levels of funding. In Illinois, state agencies were measured in how well they fared in winning federal grants, both against each other, and against their counterparts in other states.
- The Director of the Governor's Grants Office is Eric Brenner, who created a similar organization for the state of Illinois (also housed in the Governor's office). The Illinois grants office was cited in *Governing Magazine* as a model for other states. Brenner has written on this topic and led training sessions sponsored by the National Governors Association on how to increase federal funds coming back to states. Prior to taking this position in Maryland, Brenner has worked for three Governors in two states (Illinois and Pennsylvania). He has worked for

Governors in both political parties and he also served as the Director of Executive Management for the Council of Governors' Policy Advisors. During his tenure directing the Illinois grants office, he oversaw an increase in grants of 18% during a two-year period of time, a rate that is unlikely to be duplicated in Maryland (a state already performing at a high level), but a demonstration that in the area of grants and procurement (where Illinois also posted increased numbers) it is possible to have a positive impact on the flow of federal funds. Brenner is a ten-year resident of Maryland, having coordinated his work for Illinois out of that state's Washington, D.C., office.